

SENATE READING RECORDS
COMMITTEE NO. 10
DATE 3-30-07
BILL NO. HB 25

**TESTIMONY IN SUPPORT OF HB 25
GENERALLY REVISE ELECTRIC RESTRUCTURING LAWS**

**Greg Jergeson (406-444-6166)
Chairman, Montana PSC
March 30, 2007**

Mr. Chairman and Members of the Committee,

The Public Service Commission supports HB 25 (3-1 vote, and 1 abstention). The Commission is strongly in favor of broad reform of Title 69, Chapter 8. We believe that this legislative session should provide the framework for transitioning NorthWestern Energy from its current status as Montana's sole restructured utility and default electricity supplier, back to an integrated service utility that owns rate-based generation and is traditionally regulated by the PSC. HB 25 as amended by the House achieves the Chapter 8 reform that is so urgently needed.

The default-supply distribution utility, NorthWestern Energy, with no generation assets of its own, has no power at the bargaining table vis-à-vis the merchant generators from whom it must secure supply, particularly PPL Montana. NorthWestern Energy must secure the necessary supply to meet the demand of their customers. That is a legal, practical and moral obligation from which they cannot escape. On the other hand, the unregulated merchant generators have no obligation to sell to the default-supplier and may, can and will pursue the highest prices for their product. Even if the wholesale electricity supply market were reasonably competitive, and that would be one tough assumption to make, with increasing demand outstripping new sources of supply, that market is bound to yield higher prices and higher costs for consumers.

However, as the Montana Consumer Counsel and the Montana PSC have argued before the Federal Energy Regulatory Commission, the wholesale electricity supply market available to NorthWestern Energy is not reasonably competitive. We believe that PPLM exercises market dominance, approaching monopoly power, in the wholesale market available to NorthWestern Energy. Though PPLM cites the FERC decision in their favor as evidence to the contrary, the Montana PSC is convinced the FERC decision is seriously flawed since PPL is able to undercut any offer made by competitors, especially competitors who would need to construct new and expensive facilities, irrespective of the technology employed. Having the ability to drive

competitors from the market, or keep them out in the first place, PPLM is then able to command higher prices from NorthWestern Energy's customers.

The Commission has seen and discussed four of the proposed amendments to HB 25 and opposes them. There are good policy reasons to oppose each of those amendments individually, but our overriding concern is that cluttering up this bill with unnecessary amendments is likely to reduce its support and doom its chances of passage.

Failure to pass HB 25 carries with it adverse consequences for ratepayers and for other Montana energy policy initiatives. If HB 25 does not pass, NorthWestern Energy and its customers will continue for at least two more years to be stuck in the current situation where NorthWestern owns none of its own generation and therefore purchases a significant portion of the electricity it needs to serve Montana customers in the high-priced market. Montana's hopes of taking advantage of our abundant wind resources to generate electricity will be at risk because NorthWestern will not build or acquire its own firming resources that are necessary to integrate wind energy into the grid. Those firming resources and ancillary services are becoming difficult to acquire from other utilities. The statutory fiction that a competitive market exists for small customers will remain in law and continue to create electric load uncertainty that is an impediment to NorthWestern's ability to plan for and procure electricity supply at optimal terms and prices. Unplanned migration of customers to an electricity buying cooperative or municipal utility could result in the creation of new stranded costs which could negatively impact customers remaining in the default supply.

The PSC is convinced that the only way to break the PPLM stranglehold on Montana electricity customers and to act in the interest of Montana ratepayers is to pass HB 25. The PSC believes HB 25 allows for a properly regulated, re-integrated utility serving the interests of Montana electric consumers served by NorthWestern Energy. HB 25 is a reasonable, workable and satisfactory vehicle for an electric utility system that will best serve the Montana electric customers served by NorthWestern Energy. We strongly urge you to support the passage of HB 25.

Thank you for the opportunity to comment.

NorthWesternTM Energy

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GREG JERGESON
2540 BELTVIEW DR 104
HELENA MT 59601-5681

Account Number: [REDACTED]

Bill Date:

March 15, 2007

Due Date:

March 29, 2007

Previous Balance	Payments/Adjustments	Current Charges	Total Amount Due
\$106.00	\$106.00 CR	\$87.92	\$87.92
Account Summary			
Regulated Electric Charges.....			\$ 40.01
Market Purchased Electric Supply Charges.....			\$ 47.91
Total New Charges.....			\$ 87.92

MESSAGE BOARD

- Effective 3/1/2007, the Market Purchased Electric Supply rate has increased from the previous month.
- Why pay for postage? Simply dial TOLL FREE 1-800-218-4959 to pay over the phone. Please have your eight digit account number available when you call.
- Questions about your bill or service? Call the NorthWestern Energy Customer Contact Center TOLL FREE at 1-888-467-2669 (Monday through Friday, 7 a.m. - 6 p.m. Mountain Time) or visit us at: www.northwesternenergy.com

Customer Name: GREG JERGESON
 Service Address: 2540 BELTVIEW DR 104

Account Number: ~~XXXXXXXXXX~~

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 Bill Date: March 15, 2007

Regulated Electric Charges

Meter Number	Rate Code	From	To	No Days	Previous Reading	Current Reading	Reading Type	Factor	KWh Usage	Demand Usage
ED27487270	E010	02/12/2007	03/13/2007	29	52251	53162	Actual	1	911	

Description	Usage	Rate (\$)	Total
Res. Transmission Delivery	911.0 @	0.0085790	\$7.82
Res. Service Charge			\$4.87
Res. Distribution Delivery	911.0 @	0.0267030	\$24.33
Res. BPA Exchange Credit	911.0 @	0.0015110-	\$1.38CR
Res. CTC-QF	911.0 @	0.0034590	\$3.15
Res. USBC	911.0 @	0.0013340	\$1.22
Total Regulated Electric Charges			\$40.01

Market Purchased Electric Supply Charges

Description	Usage	Rate (\$)	Total
Res. Supply	503.0 @	0.0505370	\$25.42
Res. Supply	408.0 @	0.0533250	\$21.76
Res. Deferred Supply	911.0 @	0.0008010	\$0.73
Total Market Purchased Electric Supply Charges			\$47.91